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## 2.5 Simplified cost options (SCOs) for advisory services

### Rationale

The extreme heterogeneity and variability of agricultural advisory services and fees of the advisors is a challenging aspect for the Managing Authorities who support interventions relating to their use and provision.

Financing even small-scale projects often requires burdensome technical and administrative activities, involving numerous human resources and a large volume of documents to be verified for each application.

Moreover, the administrative burdens might be a deterrent also for, especially individual, advisors to apply to CAP for the provision of advisory services.

However, this type of intervention is extremely relevant to improve the farming practices and performances of the farmers towards more sustainable and competitive agriculture.

The following issues were encountered in delivering and accessing to interventions relating to the use and setting up of advisory services:

- Lack of standards (e.g. tariff/fee listing) for calculating the amount of financial resources to allocate on calls for applications and in relation to the target number of expected beneficiaries;
- Lack of standards for gaging the value for money and comparability of the applications to CAP interventions;
- Possible diversity of tariffs/fees applied by the agricultural advisors to the clients (e.g. farmers);
- Difficulties in defining the global fee for the provision of a mix of advisory services that reflect the diversity of services and covers the possible expenses of the advisor;
- Need to minimize the error rates in reporting and paying the fees/costs of the advisory services funded by the CAP;



#### Keywords

Simplification, Simplified cost options, advisory services, Interactive innovation, Operational Groups



#### Potential users

Managing authorities of the CAP strategic Plans, Paying agencies, auditors and certifying bodies, Partners of OGs, Advisors, Innovations brokers



#### Country

Italy: Sardinia Region



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- Need to simplify administrative burdens for reporting the costs/fees relating to the use and provision of advisory services under the CAP programmes;
- Need to incentivize the advisors applying for CAP measures.

## Solution

The use of Simplified Cost Options (SCO) is considered to be highly effective in reducing administrative burden and error rates. To this end the National Rural network (NRN), through a guideline document, provided the methodology for the determination of a standard unit cost (SUC) to apply to M2 of the RDPs 2014-2022 for those categories of advisory providers that most significantly cover the CAP topics: agronomist, land surveyor, agrotechnicians and veterinarians (only animal husbandry). The latter categories were identified by considering the experts' opinion and the information collected over the use/provision of farm advisory services applied under the RDPs 2007-2013 (M114).

The overall methodology for the determination of the SUC was concerted among some thematic experts of the NRN (i.e. experts on simplified costs, farm advisory services), 5 representatives of the MAs of the RDPs and 16 advisory organizations of across Italy.

All in all, it was decided to determine one hourly SUC with the view to cover both, the fees and the possible costs being occurred for the provision of advisory services (for field visits and for equipment).

The list of the documentation to provide for the probation of the effective provision of the planned farm advisory services includes:

- Report on the farm advisory services provided by farms.
- List of participants with signatures probing the field visits and meetings with clients.

During the programming period 2014-2020, this solution was adopted for 28 out of 361 (78%) calls for applications on advisory services (Measure 2.1), so that the standard unit cost was applied to about 18.200 beneficiaries under Measure 2.1 of 17 Italian RDPs 2014-2020.

## In practice...

A mix of methods, tools and sources of information were applied to collect and validate relevant information: (a) desk research on official statistical data; (b) surveys to public servants that were responsible for M2 of the RDPs and to 340 advisors to collect experts' opinions, data and information and to validate the consistency of the results of the calculations/official statistics.

The variables were determined as it follows:

### A. Hourly standard fee of the advisory services' provision.

This is determined by considering the diversity in types of advisory services (box 1), of advisory methods (es. Individual/in-group), of typologies of advisory organizations (freelance or associated advisory body). In practice, the average hourly standard fee<sup>3</sup> of advisors, that is equal to EUR 44,00, is drawn from the statistical data of income sector studies provided by the national revenue agency. This reflects the average remuneration of the abovementioned categories of farm advisory providers by the year of the guideline document of the NRN (2018; 2023).

**B. Working hours needed for the provision of the advisory services.**

On this regards, two main types of advisory services normally provided under the CAP were distinguished as they have different implications in terms of commitment by the advisors. (table 1).

**Table 1: Types of advisory services applied under the RDPs 2007-2013 (M114)**

Type of advisory service	Basic provision of advisory services	Specialized advisory services
Purpose	solutions to problems related to techniques and fulfilments of which the entrepreneur (or the entrepreneurs in the case of collective consultancy) is competent, but needs advice, improvement adjustments.	solutions to problems that require the use of an innovative technique, tool or method innovative management method, even within a usual production process.
Methods	a) direct confrontation at the engineer's office, b) information gathering by means of multimedia tools or by comparison with different subjects, c) direct comparison at the company, d) planning, management and coordination.	a) direct confrontation at the technician's office, b) gathering information by means of multimedia tools or by comparison with different subjects, c) carrying out practical test practical test at the user's company or other company to verify how the innovative solution identified, individually or collectively, d) direct comparison at the company the company(ies), e) design, management and coordination.
Working hours	14	26
Field visits	1	2

**C. Travel costs for field visits and meetings with clients**

In order to recognize a refund for travels these category of costs are based on a mileage refund, so that the SUC is determined just to cover the average cost occurred by the advisor to reach the farm by car, as it follows: (i) the average distance from office to clients that, based on advisors' opinions, was determined as equal to 50 Km per field visit and, (ii) the average rate of refunding per kilometre (Km), that it is established on annual basis by the Ministry of Transport and it was determined as equal to EUR 0,40 (2017; updated to 0,50 in 2023).

**D. Overheads to cover indirect expenses relating, for example, to equipment (e.g. tests, meeting room renting, telephone bills).**

By referring to art. 68, 1.b) of the EU reg. 1303/2013, overheads are fixed on a flat rate equal to 15% of the direct eligible personnel costs, that, by assumption for the purpose of the SUC, are represented by the hourly standard fee (A).

Based on the identification of the abovementioned variables, the SUC for the two types of advisory services are calculated as it is showed in boxes 1 and 2.

**Table 2: Determination of Standard Unit Costs**

Type of farm advisory services	Variable	Year 2017	Year 2023
<b>Basic fam advisory service</b>	(A) Hourly fee for the provision of the advisory services	EUR 44	EUR 51
	(B1) Average working hours spent on advisory provision	14 hours	14 hours
	(B2) Average n. of visit at farm	1	1
	(C1) Average kilometers to reach the farm	50 Km (100 Km D/R)	50 Km (100 Km D/R)
	(C2) Average rate per Km	EUR 0,40	EUR 0,50
	(C3) Hourly rate of travel expenses = $(C1*2*C2)/B1$	EUR 2,86	EUR 2,86
	(D1) Flat rate for overheads	15%	15%
	(D2) Overheads = $(A)*(D1)$	EUR 6,60	EUR 6,60
	<b>Hourly Standard Unit Cost = <math>(A) + (C3) + (D2)</math></b>	<b>EUR 53,46</b>	<b>EUR 61,17</b>
<b>Specialistic fam advisory service</b>	(A) Hourly fee for the provision of the advisory services	EUR 44	EUR 51
	(B1) Average working hours spent on advisory provision	26 hours	26 hours
	(B2) Average n. of visit at farm	2	2
	(C1) Average kilometers to reach the farm	50 Km (100 Km D/R)	50 Km (100 Km D/R)
	(C2) Average rate per Km	EUR 0,40	EUR 0,50
	(C3) Hourly rate of travel expenses = $(C1*2*C2)/B1$	EUR 2,86	EUR 2,86
	(D1) Flat rate for overheads	15%	15%
	(D2) Overheads = $(A)*(D1)$	EUR 6,60	EUR 6,60
	<b>Hourly Standard Unit Cost = <math>(A) + (C3) + (D2)</math></b>	<b>EUR 53,68</b>	<b>EUR 61,45</b>
<b>Simplified Hourly Standard Unit Cost</b>		<b>EUR 54,00</b>	<b>EUR 62,00</b>

In practice, for simplification, only one SUC was determined as reference for the provision of both types of advisory services provided under the RDPs 2014-2020 in Italy (EUR 54,00 at 2018; EUR 62,00 at 2023).

So calculated, the SUC represents and all-inclusive hourly fee that, as multiplied by the n. of hours actually spent for the provision of one advisory service, determines the global remuneration to refund to the advisor.

## Practical implications for replicability

The use of standard costs under the CAP Regulation 2023-2027 has been furtherly simplified. However, some administrative arrangements still remain relevant:

- Availability of reliable series of historical data at country/territorial/sector level in order to determine the best possible approximation to an economic treatment that it is already in use by the concerned advisors.
- The methodology for standard costs determination should be shared with MAs, advisory organizations and experts in order to capture the country specificities.
- The methodology behind the so-defined standard unit cost tends to flat the diversity of possible advisory services being provided under one type of CAP intervention.
- The methodology for standard costs determination should be better shared with the paying agency and made clear by the calls for applications. As well, MA must clearly list the documentation that is required to demonstrate the effective provision of the advisory service.

## Benefits

- Administrative simplification due to the reduced use of probative documentation and of time to spend for budgeting/costs reporting.
- The so-defined standard unit cost can be used for the CAP Strategic Plans, including budgeting and target indicators setting.
- Incentivization of advisors to apply to CAP interventions.

### Further information

- [Analysis on the adoption of simplified cost options \(SCOs\) developed by NRN-Ismea in the RDPr calls of the 2014-2020 programming period" - NRN 2020 \(IT\)](#)
- [Methodology for the identification of standard cost units \(SCUs\) for advisory services financed by RDP sub-measure 2.1" - NRN 2018 and 2023 \(IT\)-](#)
- [National Rural Network call database \(September 2023\) \(IT\)](#)
- [European Court of Auditors. European Annual Report on the implementation of the budget for the financial year 2012 \(2013/C 331/01\).\(IT\)](#)
- [European Commission \(2014\). Guide to Simplified Cost Options \(CSOs\) - European Structural and Investment Funds \(EIS Funds\) - EGESIF 14-0017. \(EN\)](#)

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